



**U.S. DEPARTMENT OF
HOUSING AND URBAN DEVELOPMENT**
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CURRENT HOUSING MARKET CONDITIONS

PUEBLO, COLORADO **HOUSING MARKET AREA** **As of September 1, 2005**

INTRODUCTION

This report has been prepared to assist the U.S. Department of Housing and Urban Development (HUD) in its underwriting operations. The report has also been provided to officials of state and local government, developers, lenders and others interested in the outlook for the local sales and rental market. The estimates and opinions in this report are solely those of the Economists in the Office of Policy Development and Research in the Rocky Mountain Office and do not represent HUD Departmental or Rocky Mountain Office policy. The report is provided for informational purposes only. It does not purport to make determinations with respect to any particular application for mortgage insurance, subsidy funds, grants or other financing, which may be under consideration in this market area.

The Housing Market Area is defined as Pueblo County, Colorado. Unless otherwise noted, the estimates and discussion of market conditions are as of September 1, 2005. Questions or comments regarding the findings and conclusions of this report may be addressed to Effie L. Russell, Field Economist, Denver Regional Office, at (303) 672-5422 and at Effie_L._Russell@hud.gov.

SUMMARY

Located 110 miles south of Denver, the Pueblo market area consists of Pueblo County, encompassing the city of Pueblo and unincorporated Pueblo West, but also includes the smaller localities of Avondale, Rye, and Boone. The local area economy remains characterized by steady growth and relies heavily on government service, retail trade and healthcare as the core economic base. In addition to the continued trend of consistent growth, Pueblo is recapturing employment and economic losses that occurred during the last market downturn. Growth in population and households remains stable while home prices are increasing at a greater rate.

Nonfarm employment is up 1.2 percent as of July 2005, as an annual average, following a small decline in the prior period. Retail trade improved by 2.8 percent as national retail establishments such as Kohl's, Bed Bath & Beyond, and Old Navy opened new store locations in north Pueblo. Employment in state government increased by 2.1 percent. More than 45 percent of total nonfarm employment is in the retail trade, government, and healthcare sectors. These factors combine to create a stable overall economy with a consistent growth rate. The average unemployment rate for the 12-month period ending July 2005 was 6.9 percent, down from 7.4 percent a year ago.

In addition to the stable components of Pueblo's economy, industries that have been in decline are beginning to add new jobs. Oregon Steel recently announced that they would re-open their mill in November 2005 and employ 150 workers, 50 more than the mill employed when it closed in 2003. Tourism is also up in Pueblo as the Pueblo Economic Development Corporation (PEDCO) has been successful in attracting additional events to the existing fairground facility built to accommodate the annual Colorado State Fair. PEDCO announced in July that the Professional Bull Riders (PBR) Association would move its national headquarters to a section of redeveloped downtown Pueblo. PBR will use the fairgrounds to host at least one televised event on its yearly circuit. Similar area events bring in between \$5 million and \$10 million to the local economy.

Estimated population growth is expected to be approximately 1.7 percent in 2005, according to the Colorado Department of Local Affairs; the majority of the growth is due to relocation to Pueblo. Although 68 percent of Pueblo households consist of families with children, the largest influx of people is in the 20 to 24 age group. A major factor driving the in-migration to the Pueblo area is its low cost of living and proximity to Colorado Springs, 50 miles north of Pueblo. Additionally, Pueblo attracts a growing number of retirees who enjoy the small town environment, low cost of living, and availability of healthcare services.

For the past two years, residential construction in Pueblo has primarily focused on single-family development. New single-family home permits totaled 1,100 units for the 12-month period ending July 2005, up slightly from the prior 12 months. Estimated construction values given by the Pueblo Regional Building Department are 15 percent higher than the values associated with permits issued in 2004. Optimism in Pueblo's economy and an expected shift upward in median household incomes have contributed to rising prices, therefore, median sales price for a new home is expected to rise substantially in 2005.

A noticeable trend in new multifamily production is developing in the area. New multifamily construction permitted in the last twelve months is for smaller two and four unit condominium developments. The majority of the units sell before completion. Along the Historic Arkansas River Walk re-development (HARP) area, the initial phase of construction is underway on two condominium developments. The design themes include high-end amenities and spacious floor plans. The development committee for HARP has already zoned several lot locations for similar projects. Building condominiums or lofts above commercial use space is a popular trend throughout Colorado and is designed to target individuals who are moving into the Pueblo area or work downtown and are looking for the urban housing experience.

The combination of relatively low interest rates and a steadily improving economy continues to strengthen the demand for new and existing single-family homes in the Pueblo area. The market for higher end homes may soften as interest rates increase, but that will only shift demand towards lower cost homes. Overall, home sales, while down from last year in volume, and continue to grow in value. The median existing home sale price for the 12-month period ending July 2005 was \$122,500, compared with \$110,500 for the same period last year.

The rental market in Pueblo is soft, but improving. Median rents in the area increased in the first quarter 2005, after a brief period of decline in 2004. Vacancy rates have stayed consistent over the last 12 months. The Colorado Division of Housing reports vacancy rates in Pueblo County

multifamily properties at 12.9 percent for the first quarter 2005. That compares with a rate of 12.8 percent from the same time last year. According to local sources, existing single-family homes are increasingly purchased for investment rental properties. Low interest rates for investors continue to contribute to this trend. Despite the increase in supply, rental market for single-family housing is extremely tight.

Since 2000, slightly more than 600 new apartments have come into the rental market. These new units were leased up relatively quickly. Older units in the existing rental supply report a higher vacancy rate than those in new complexes. Since third quarter 2003, the reported vacancy rate in buildings constructed after 1990 is minimal. Alternatively, vacancy rates in older and consequently less expensive buildings are increasing. Renters have moved to occupy new apartments that offer upgraded facilities and amenities even as they come at a premium to renters. The opportunity for the rehabilitation of existing properties is a key factor in the growth of the Pueblo rental market because there are no new rental multifamily units in production at this time. As the immigration of people continues at a steady pace, especially those of a young age, demand for rental units will increase and the market will strengthen.